



STATE BOARD OF
EQUALIZATION

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SPECIAL TAXES
DEPARTMENT

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EXCISE TAXES
DIVISION
916-322-9651

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INFORMATION
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1-800-400-7115

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Cigarette and Tobacco Products Taxes

This publication is designed to provide basic information about California's Cigarette and Tobacco Products Tax Programs. If you have questions that are not answered in this publication, please contact a Board representative at the telephone number shown on the left.

Two types of excise taxes are collected on cigarette and tobacco products distributed in California:

- The *cigarette tax*
- The *cigarette and tobacco products surtax*

Each tax is described below, according to the type of product sold.

Cigarettes

Cigarettes are subject to both the *cigarette tax* and the *cigarette and tobacco products surtax*.

Each tax is paid by distributors, who purchase tax stamps from banks and affix them to each package of cigarettes before distribution. Distributors can be reimbursed for these taxes by the businesses to whom they sell the cigarettes, and the businesses include the taxes as part of the retail selling price of the cigarettes.

The cost of the stamp includes both the cigarette tax and the surtax. Currently, each tax stamp costs 37 cents per pack of 20 cigarettes, comprising 12 cents for the cigarette tax and 25 cents for the surtax. Distributors are allowed a discount of 0.85 percent for each stamp to help offset their costs for affixing the stamps.

Tobacco products

Tobacco products, which do not include cigarettes, are subject only to the *cigarette and tobacco products surtax*. Tobacco products include all forms of cigars, smoking tobacco, chewing tobacco, snuff, and other products containing at least 50 percent tobacco. The surtax is paid by tobacco product distributors (see definition in next column).

The surtax rate is determined annually by the Board and is equivalent to the combined rate of tax applied to cigarettes. It is based on the wholesale cost of the tobacco products during the previous year. The rate in effect for the period July 1, 1995, through June 30, 1996, is 31.20 percent. Effective July 1, 1996, through June 30, 1997, the rate will be 30.38 percent.

Who is required to register with the Board and pay tax?

You are required to register if you are either a distributor or a wholesaler of cigarettes or tobacco products in California, as defined below.

Distributor. A cigarette distributor is a person who purchases unstamped cigarettes for stamping and distribution in this state. A tobacco products distributor is a person who acquires untaxed tobacco products for distribution in this state.

Cigarette Wholesaler. A cigarette wholesaler is a person, other than a distributor, who sells stamped cigarettes for resale.

Tobacco Products Wholesaler. A tobacco products wholesaler is a person, other than a distributor, who sells tax-paid tobacco products for resale.

If I am required to register, what are my filing requirements?

You must first apply to the Board for a distributor's or wholesaler's license. If you are applying for a distributor's license, you must post a minimum of \$1,000 security before the license can be issued. If you wish to purchase stamps on a deferred payment plan, you must post security based on your average sales. There is no security requirement for the wholesaler's license.

All distributors and wholesalers are required to file monthly returns or reports, which are due on or before the 25th of the month following the reporting period. Tax returns and reports must be filed even if no distributions were made during the reporting month.

Unless another location has been approved by the Board, all records must be kept and maintained at the licensed premises of the taxpayer in California.

Are any transactions exempt from tax?

Yes. The following sales and distributions of cigarettes and tobacco products are exempt from

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Third District, San Diego

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Fourth District, Los Angeles

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the cigarette and tobacco product surtax:

- Sales of cigarettes or tobacco products by the original importer to a licensed distributor if the cigarettes or tobacco products are manufactured outside the United States
- Sales of cigarettes or tobacco products by the manufacturer to a licensed distributor
- Sales by distributors to common carriers engaged in interstate or foreign passenger service
- Sales to United States military exchanges, commissaries, ship's stores, or the Veteran's Administration
- Distributions of federally tax-free cigarettes or tobacco products that are under internal revenue bond or customs control
- Distributions of cigarettes and tobacco products that cannot be taxed by the state under the Constitution or laws of the United States or under the Constitution or laws of California, such as shipments to purchasers in other states, territories, or foreign countries when the cigarette and tobacco products are not to be returned to this state before use

How are the revenues used?

The 12-cent cigarette tax is used for the state's General Fund and to fund breast cancer research (10 cents per package is deposited into the General Fund, and 2 cents per package goes into the Breast Cancer Fund).

The 25-cent cigarette and tobacco products surtax is used for the following purposes:

- Tobacco-related school and community health education programs
- Tobacco-related disease research
- Medical and hospital care and treatment of patients who cannot afford to pay for those services, and for whom payment will not be made through any private coverage or by any program funded in whole or in part by the federal government
- Programs for fire prevention; environmental conservation; protection, restoration, enhancement, and maintenance of fish, water fowl, and wildlife habitat areas; and enhancement of state and local park and recreation purposes

To Register or Obtain More Information

If you have questions regarding this program or need to register with the Board, please contact the Excise Taxes Division.

Excise Taxes Division
State Board of Equalization
450 N Street MIC: 56
P.O. Box 942879
Sacramento CA 94279-0056

Telephone: 916-322-9651
Fax: 916-323-9297

Taxpayers' Rights Advocate

If you are unable to resolve a disagreement with the Board, or if you would like to know more about your rights under the Cigarette and Tobacco Products Tax Law, please contact the Taxpayers' Rights Advocate office for assistance.

Taxpayers' Rights Advocate
State Board of Equalization
450 N Street MIC: 70
P.O. Box 942879
Sacramento CA 94279-0070

Telephone: 916-324-2798
Fax: 916-323-3319

Note
This pamphlet summarizes the law and applicable regulations in effect as of the date on the cover.

However, changes in the law or in regulations may have occurred since that time.

If there is a conflict between the statements in this pamphlet and the law, the law is controlling.